

**TASK ORDER PROGRESS
AND COST REPORT**

**LOCAL GOVERNMENT
PROGRAM**

ARMENIA

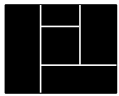
APRIL - JUNE 2001

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**TASK ORDER PROGRESS AND COST REPORT
ARMENIA LOCAL GOVERNMENT PROGRAM
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BACKGROUND

In January 2000, USAID contracted the Urban Institute (UI) to implement a three-year local government project in Armenia. The project provides training and technical assistance designed to increase local government accountability, accessibility and responsiveness to citizens and to provide more effective and transparent management systems for local governments. The main components of the project are:

- Legal Reform and Local Government Association Development
- Service Delivery Improvement in Municipalities
- Citizens Participation in Local Government Affairs

PROGRESS DURING THE PREVIOUS QUARTER

Review by USAID

In April, USAID assessed the technical assistance delivered to the project's nine pilot cities during the previous six months. Mayors and executive officers in the pilot cities provided very positive feedback to USAID. No adjustments to the overall program were required.

Local Government Legal Reform

The project continued to support reform of the legal framework of local government. Project experts contributed to the design of the draft Law on Local Self-government and amendments to related laws that need to be adjusted to complement the new Law. The Council of Europe reviewed the draft and found that, "the draft law can be seen as a major step towards the implementation of this commitment, as the draft appears to put the domestic legislation into compliance with the standards of the Council of Europe in the field of local self-government." In conjunction with the Government of Armenia and GTZ, the project conducted public hearings on the Law on Local Self Government. Yerevan officials commented on the draft Law on Local Self-government. Project experts also discussed with donor agencies implementation arrangements for the Law should it be passed in November 2001.

City of Yerevan Reform

The project is working with Yerevan officials to review and improve the finances and management of the city. During the past quarter, the project developed an aggregated budget that includes information from the 12 districts of Yerevan and the city proper. USAID approved the purchase of computers for the 12 districts of Yerevan to implement financial management systems, and UI and USAID participated in donor coordination meetings to finalize plans for installation of the computers.

Several officials from Yerevan traveled to Budapest and Warsaw to study the administrative and functional structures of these leading cities eastern Europe. The officials used the tour to recommend development of similar structures for Yerevan.

Fiscal Reform



The project assessed the financial needs of local governments and determined that the portion of the overall government budget allocated to local governments needs to be increased to three times its current amount (from approximately 3 to 10 percent) to enable local governments to perform their mandatory functions. The assessment led the project to strengthen the design of local government fiscal capacity as it appears in the draft Law on Local Self-government. The draft now states that local governments will receive all revenues from land and property taxes, 30 percent of revenues from profit taxes, 15 percent of revenues from income taxes and 2 percent of revenues from value added taxes. In addition, local governments also will receive revenues from the following fees:

- compulsory payments;
- deductions from other types of taxes defined by law;
- state dues;
- subsidies from the state budget;
- local duties and fees: fines and penalties;
- subventions;
- rents and payments;
- profits generated from community lotteries;
- dividends from its share of agencies and institutions;
- alienation of community property; and
- resources attracted from loans and credits and other sources not prohibited by law.

The project continued to work with the Ministry of Finance and Economy on local government issues in fiscal reform, including the development of a Public Expenditure review for local governments. The project proposed amendments to the Budget Law and Law on Equalization that will harmonize them with the draft Law on Local Self-government. The Ministry commented on the project's paper on proposed amendments to the Law of Equalization.

Service Delivery Improvement in Municipalities

The project continued to develop the capacity of local governments to manager their finances. 'Commitment control budgeting' software, based in Microsoft Access, was installed in the pilot cities. Computers were installed to prepare for the establishment of Citizen Information Centers in seven pilot cities. Pilot city personnel received training in developing and maintaining land and property tax databases, and completed the development of the databases which will enhance the capacity of the cities to collect land and property taxes.

UI contracted the Finance Officers Association, the Union of Communities and the Scientific Research Center for City Management Systems to conduct training sessions to support local government implementation of the Procurement Law. The two associations each trained officials in 5 Marzes and the research center trained officials in the 12 districts of Yerevan. UI contracted the Yerevan Councilors Association to assist in training district councilors in financial management.

Participatory Urban Assessments (PUA) in seven pilot cities to enable the cities to determine project priorities were completed. Citizen participation in these activities was high.

The project continues to develop a Manual for Local Government Management. During the past quarter, project staff members visited pilot cities to assess the capacities of city personnel. The Manual will be tailored to the needs of local government officials.



Citizens Participation in Local Government

The American University of Armenian completed two survey reports that will guide the project's technical assistance. The reports summarize results of two surveys of the pilot cities: one of households and another of NGOs.

The project continued to support condominiums as vehicles for local community development and citizen participation. The condominium working group continued to draft amendments to the Law on Condominiums, Civil Code and other laws that have to be harmonized with draft amendments to the Law of Condominiums. The project met with donors to attract finance for Condominium Association projects. UI contracted the National Association of Condominiums and the Scientific Research Center for City Management Systems to train condominium residents in condominium management. The association trained residents from the pilot Marzes and the research center trained residents from Yerevan.

SIGNIFICANT FINDINGS AND DELAYS:

Findings

The project assessed the financial needs of local governments and determined that the portion of the overall government budget allocated to local governments needs to be increased to three times its current amount (from approximately 3 to 10 percent) to enable local governments to perform their mandatory functions. Due to severe pressure on the State budget from all spending ministries, it is unlikely that the Government will be able to increase the allocations to local governments. LGP has proposed targets to ensure that allocations are at least paid on time and within the year they are allocated. If the targets are achieved and resources transferred, then local governments will be in a better position to plan investments.

Delays

A delay of one month was experienced on the purchase of computers for the 12 districts of Yerevan. The delay was due to discussions with the Contract Officer concerning possible amendments to the contract.

PROJECT PRODUCTS

Monthly reports (April, May, June)

Report on Property and Land Tax in Armenia: Current Situation and Recommendations for Reform

Comments from Council of Europe on the Draft Law on Local Self-Government

Training materials for the Implementation of the Procurement Law in Local Governments

Report of Study Tour by Yerevan City Hall officials to Budapest and Warsaw

Report on the minimum resources required for local governments to deliver their mandated functions

Reports from the Participatory Urban Assessment for 5 pilot cities

Presentation on Implementation of Procurement Law

Draft amendments to the Law on Condominiums

PROGRAM ISSUES:

Proposals Received:

Finance Officers Association to provide ongoing budgeting and financial management technical assistance to pilot cities.



Consultant to improve the computer skills training in pilot city of Kapan.
Consultant to improve the computer skills training in pilot city of Sissian.
Consultants to assist in the development of the training program for Yerevan Councilors.
Consultants to undertake capital planning in pilot cities.
Consultants to perform computer training in Ijevan.

Meetings:

Monthly meeting: USAID (10 October 2000, 6 November 2000, 6 December 2000, February 6 2001, March 7, 7 April, 2001, 9 May, 2001, 7 June, 2001).

Staff Travel & Leave

Advisers visited Ijevan, Sevan, Alaverdi, Jermuk and Yeghegnadzor to review the implementation of asset management systems to ensure accurate inventory of the assets.
Advisers visited the Yerevan districts of Kentron, Achapniak and Nor Nork to discuss asset management plans.
Advisers visited Vanadzor, Kapan, Ijevan, Sissian, and Yeghegnadzor to discuss budgeting and financial management.
Advisers visited Kapan, Sissian, Vanadzor, Yeghegnadzor, and Ijevan to review progress on Participatory Urban Assessments.
Advisers visited Yerevan City Hall to discuss the reforms for Yerevan City Hall.
Advisers visited Budapest and Warsaw with delegates from the Yerevan City Hall.

Expatriate Visits

J Meyer - Procurement Law Specialist April 30 to May 17.
D Edwards - Training specialist April 30 to May 17.
P Rosenberg – Specialist budgeting and financial management 18 to 28 April.
J Meyer - Procurement Law Specialist June 17 to July 6.
D Edwards - Training specialist June 17 to July 6.
N Nersesyan – Specialist in Budgeting, Barents, Washington May 15 to June 30.

Appointments

Nil

WORK PLANNED FOR NEXT REPORTING PERIOD:

This section of the quarterly report presents the major activities planned for the 2nd quarter of 2001.

Legal Reform and Local Government Association Development

Continue to work on LGU reform and integrate the work into the proposed legislative program for LGU reform:

Final review and comments from the Council of Europe (Venice Commission) on the Law of Self-Government – July 7 to 11, 2001

Finalize draft Law on Local Self Government for submission to the National Assembly – July, 2001

Submission to the National Assembly to discussion – September, 2001

Approval by National Assembly – October, 2001

Signed by President in November 2001.



Support the government on the passage of the Law of Local Self Government through the National Assembly

Continue the training in the implementation of the Procurement Law in local governments.

Continue to strengthen Local Government Associations (Union of Communities, Union of Yerevan Councilors and Finance Officers Associations).

City of Yerevan Reform

Based on the experience gained from the Study Tour to Budapest and Warsaw continue to work on the design of a 'new' administrative and functional structure of Yerevan. Use the draft law on Local Self-Government as the basis for 'new' model.

Finalize the supply and installation of computer systems to improve financial management and transparency in the 12 districts of Yerevan.

Fiscal Reform

Continue to work on the Public Expenditure Review for local governments.

Continue to strengthen the pilot cities to collect and administer land and property tax.

Continued to work on the harmonization of the key laws with the draft Law on Local Self-Government.

Support the government on the passage of the Law of Local Self Government through the National Assembly

Service Delivery Improvement in Municipalities

Continue training and technical assistance for the pilot cities for the implementation of 'Commitment control budgeting' software and Citizens Information Centers in pilot cities.

Continue work towards the installation of digital links between the City Halls and the local Treasury Offices to improve information flow and transparency.

Complete the development of asset management plans in the pilot cities.

Commence work on the implementation of asset management plans in the 12 districts of Yerevan.

Citizens Participation in Local Government

Undertake Participatory Urban Assessments and preparation of projects of sufficient standards to attract finance in pilot cities.

Analyze data from NGO survey/questionnaire carried out in the pilot cities.

Undertake training in pilot cities on condominium association development.

Continue to prepare amendments to the Law on Condominiums.

Manual for Local Government Management

Continue to develop the Manual for Local Government Management.



SPECIFIC ACTION REQUESTED:

Support is required from donor organizations to strengthen the information flow between the State Agencies (Cadastre, Treasury and State Revenue) and municipalities.

UP-TO-DATE SCHEDULE OF WORK:

Drafting of the Law on Local Self Government is proceeding according to plan

Technical assistance to local governments and Yerevan districts is proceeding according to schedule.

The installation of citizens information centers is proceeding according to plan

KEY PERSONNEL

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